

CUSTODIAN CONTRACT

Between

ARKANSAS TEACHER RETIREMENT SYSTEM

And

STATE STREET BANK AND TRUST COMPANY

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CUSTODIAN CONTRACT

This Contract between ARKANSAS TEACHER RETIREMENT SYSTEM, located at 1400 West Third Street, Little Rock, Arkansas, 72201, hereinafter called the "System", and STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company, having its principal place of business at Boston, Massachusetts, USA, hereinafter called the "Custodian".

WITNESSETH:

That in consideration of the mutual covenants and agreements contained herein the System and the Custodian agree as follows:

1. RETENTION OF CUSTODIAN AND PROPERTY TO BE HELD BY IT.

The System hereby employs the Custodian as the custodian of the assets of the ARKANSAS TEACHER RETIREMENT SYSTEM hereinafter called the "Fund". All property delivered to the Custodian, its agents or its subcustodians shall be held and dealt with as hereinafter provided. The Custodian shall not be responsible for any property of the Fund not delivered to the Custodian, its agents or its subcustodians.

2. DUTIES OF THE CUSTODIAN WITH RESPECT TO PROPERTY
HELD BY THE CUSTODIAN

2.1 Holding Securities. The Custodian shall hold, or direct its agents or its subcustodians to hold, for the account of the Fund all securities and other noncash property other than securities which are held by the Custodian, its agents or subcustodians in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository

or in another book-entry system for the central handling of securities collectively referred to herein as "Securities System".

2.2 Delivery of Securities. The Custodian shall release and deliver, or direct its agents or its subcustodians to release, securities of the Fund held by the Custodians, its agents or its subcustodians or in a Securities System account of the Custodian, its agents or its subcustodians only upon receipt of Proper Instructions (as defined in Section 2.11 herein), which may be standing instructions, in the following cases:

- (a) Upon sale of such securities for the Fund, unless otherwise directed by Proper Instructions; (i) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including, without limitation, delivery to the purchaser thereof or to a dealer therefor (or an agent of such purchaser or dealer) against expectation of receiving later payment; or (ii) in the case of a sale effected through a Securities System, in accordance with the rules governing the operations of the Securities System;
- (b) Upon the receipt of payment in connection with any repurchase agreement related to such securities;
- (c) To the depository agent in connection with tender or other similar offers for securities;
- (d) To the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable; provided that, unless otherwise directed by Proper Instructions, the cash or other consideration is to be delivered to the Custodian, its agents or its subcustodians;
- (e) To the issuer thereof, or its agent, for transfer into the name of the Custodian or of any nominee of the Custodian or into the name of any of its agents or subcustodians or their nominees or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units;
- (f) To brokers, clearing banks or other clearing agents for examination in accordance with "street delivery" custom;
- (g) For exchange or conversion pursuant to any plan of merger, consolidation,

recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to provisions for conversion contained in such securities, or pursuant to any deposit agreement; provided that, unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its subcustodians;

(h) In the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities; provided that, unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its subcustodians;

(i) For delivery as security in connection with any borrowings by the System requiring a pledge of assets by the System;

(j) In connection with trading in options and futures contracts, including delivery as original margin and variation margin;

(k) In connection with securities lending by the System; and

(l) For any other purpose, but only upon receipt of Proper Instructions specifying the securities to be delivered and naming the person or persons to whom delivery of such securities shall be made.

2.3 . Registration of Securities. Securities held by the Custodian, its agents or its subcustodians (other than bearer securities or securities held in a Securities System) shall be registered in the name of the Custodian or in the name of any nominee of the Custodian or in the name of any of its agents or its subcustodians or of their nominees. The Custodian, its agents and its subcustodians shall not be obligated to accept securities on behalf of the System under the terms of this Contract unless such securities are in "street name" or other good delivery form.

2.4 Bank Accounts. The Custodian, its agents or its subcustodians may open and maintain a bank account or accounts in the name of the System, Custodian, subcustodian, their respective nominees or otherwise, in such banks or trust companies as they may in their

discretion deem advisable (including a bank of the Custodian), subject only to draft or order by the Custodian, its agents or its subcustodians acting pursuant to the terms of this Contract, and shall hold in such account or accounts, subject to the provisions hereof, cash received by or from or for the account of the System. Such funds shall be deposited by the Custodian, its agents or its subcustodians in their capacity as Custodian, agent or subcustodian and, except as otherwise provided under this Contract, shall be withdrawable by the Custodian, its agents or its subcustodians only in that capacity.

2.5 Income Crediting. With respect to the securities or other assets held hereunder the Custodian shall credit income to the Fund as such income is received or in accordance with Custodian's then current payable date income schedule. Any credit to the Fund in advance of receipt may be reversed when Custodian determines that payment will not occur in due course and the Fund may be charged at Custodian's applicable rate for time credited. Income on securities loaned other than from Custodian's securities lending program shall be credited as received.

2.6 Contractual Settlement Services (Purchase / Sales)

(a) The Custodian shall, in accordance with the terms set out in this Section 2.6, debit or credit the appropriate cash account of each Fund in connection with (i) the purchase of securities for such Fund, and (ii) proceeds of the sale of securities held on behalf of such Fund, on a contractual settlement basis.

(b) The services described above (the "Contractual Settlement Services") shall be provided for such instruments and in such markets as the Custodian may advise from time to time. The Custodian may terminate or suspend any part of the provision of the Contractual

Settlement Services under this Contract at its sole discretion immediately upon notice to the System or the Investment Manager, as applicable, including, without limitation, in the event of force majeure events affecting settlement, any disorder in markets, or other changed external business circumstances affecting the markets or the Fund.

(c) The consideration payable in connection with a purchase transaction shall be debited from the appropriate cash account of the System as of the time and date that monies would ordinarily be required to settle such transaction in the applicable market. The Custodian shall promptly recredit such amount at the time that the System or the Investment Manager, as applicable, notifies the Custodian by Proper Instruction that such transaction has been canceled.

(d) With respect to the settlement of a sale of securities, a provisional credit of an amount equal to the net sale price for the transaction (the "Settlement Amount") shall be made to the account of the Fund as if the Settlement Amount had been received as of the close of business on the date that monies would ordinarily be available in good funds in the applicable market. Such provisional credit will be made conditional upon the Custodian having received Proper Instructions with respect to, or reasonable notice of, the transaction, as applicable; and the Custodian or its agents having possession of the asset(s) (which shall exclude assets subject to any third party lending arrangement entered into by the Board) associated with the transaction in good deliverable form and not being aware of any facts which would lead them to believe that the transaction will not settle in the time period ordinarily applicable to such transactions in the applicable market.

(e) Simultaneously with the making of such provisional credit, the System agrees that the Custodian shall have, and hereby grants to the Custodian, a security interest in any property at any time held for the account of the System to the full extent of the properly credited amount, and the System hereby pledges, assigns and grants to the Custodian a continuing security interest and a lien on any and all such property under the Custodian's possession, in accordance with the terms of Section 5 of this Contract. In the event that the System fails to promptly repay any provisional credit, the Custodian shall have all of the rights and remedies of a secured party under the Uniform Commercial Code of The Commonwealth of Massachusetts.

(f) The Custodian shall have the right to reverse any provisional credit or debit given in connection with the Contractual Settlement Services at any time when the Custodian believes, using good faith and in its reasonable judgment, that such transaction will not settle in accordance with its terms or amounts due pursuant thereto will not be collectable or where the Custodian has not been provided Proper Instructions with respect thereto, as applicable, and the System shall be responsible for any costs or liabilities resulting from such reversal. Upon such reversal, a sum equal to the credited or debited amount shall become immediately payable by the System to the Custodian and may be debited from any cash account held for benefit of the System.

(g) In the event that the Custodian is unable to debit an account of the Fund, and the System fails to pay any amount due to the Custodian at the time such amount becomes payable in accordance with this Contract, (i) the Custodian may charge the System for costs and expenses associated with providing the provisional credit in accordance with the terms of

this Contract, including without limitation the cost of funds associated therewith, (ii) the amount of any accrued dividends, interest and other distributions with respect to assets associated with such transaction may be set off against the credited amount, (iii) the provisional credit and any such costs and expenses shall be considered an advance of cash for purposes of the Contract and (iv) the Custodian shall have the right to setoff against any property and the discretion to sell, exchange, convey, transfer or otherwise dispose of any property at any time held for the account of the System to the full extent necessary for the Custodian to make itself whole after written notice to the System, if the System has failed to promptly remit payment for the charges.

2.7 Payment of Fund Moneys. Upon receipt of Proper Instructions and written agreement as to security procedures for payment orders, which may be standing instructions, or as may be otherwise authorized within this Contract, the Custodian shall pay out, or direct its agents or its subcustodians to pay out, moneys of the Fund in the following cases:

- (a) Upon the purchase of securities for the System, unless directed by Proper Instructions; (i) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including, *without limitation*, delivering money to the seller thereof or to a dealer therefor (or an agent for such seller or dealer) against expectation of receiving later delivery of such securities; or (ii) in the case of a purchase effected through a Securities System, in accordance with the rules governing the operation of such Securities System;
- (b) In connection with conversion, exchange or surrender of securities of the System as set forth in Section 2.2 hereof;
- (c) For the payment of any expense or liability including but not limited to the following payments: interest, taxes, management, accounting, transfer agent fees, legal fees and operating expenses;

(d) To the trustee, including the Custodian, of any collective investment fund maintained for the investment of the assets of employee benefit plans qualified under Section 401(a) and exempt from tax under Section 501(a) of the Internal Revenue Code;

(e) For the purchase or sale of foreign exchange or foreign exchange contracts for the account of the Fund, including transactions executed with or through the Custodian, its agents or its subcustodians;

(f) In connection with trading in options and futures contracts, including delivery as original margin and variation margin;

(g) In connection with securities borrowing by the System; and

(h) For any other purpose, but only upon receipt of Proper Instructions specifying the amount of such payment and naming the person or persons to whom such payment is to be made.

2.8 Appointment of Agents and Subcustodians. The Custodian may in its discretion appoint and remove agents or subcustodians to carry out such of the provisions of this Contract as the Custodian may from time to time direct; provided, however, that such appointment shall not relieve the Custodian of its responsibilities or liabilities under this Contract.

2.9 Proxies. The Custodian will, with respect to the securities held hereunder, cause to be promptly executed by the registered holder of such securities proxies received by the Custodian from its agents or its subcustodians or from issuers of the securities being held for the Fund, without indication of the manner in which such proxies are to be voted, and, upon receipt of Proper Instructions, shall promptly deliver such proxies, proxy soliciting materials and other notices relating to such securities.

2.10 Communications Relating to Fund Securities. The Custodian shall transmit

promptly to the System or Investment Manager (as defined in Section 8 herein) written information (including, without limitation, pendency of calls and maturities of securities and expirations of rights in connection therewith) received by the Custodian from its agents or its subcustodians or from issuers of the securities being held for the System. With respect to tender or exchange offers, the Custodian shall transmit promptly to the System or Investment Manager written information received by the Custodian from its agents or its subcustodians or from issuers of the securities whose tender or exchange is sought and from the party (or his agents) making the tender or exchange offer. The Custodian shall not be liable for any untimely exercise of any tender, exchange or other right or power in connection with securities or other property, of the System at any time held by it unless (i) it or its agents or subcustodians are in actual or effective possession of such securities or property and (ii) it receives Proper Instructions with regard to the exercise of any such right or power and both (i) and (ii) occur at least three (3) business days prior to Custodian's deadline date to exercise such right or power.

2.11 Proper Instructions. The term "Proper Instructions" shall mean instructions received by the Custodian from the System, the Investment Manager, or any person duly authorized by either of them. Such instructions may be in writing signed by the authorized person or may be in a tested communication or in a communication utilizing access codes effected between electro-mechanical or electronic devices or may be by such other means as may be agreed to from time to time by the Custodian and the party giving such instructions (including, without limitation, oral instructions). The System shall cause its duly authorized officer, or the duly authorized officer of any Investment Manager, to certify to the Custodian

in writing the names and specimen signatures of persons authorized to give Proper Instructions. The Custodian shall be entitled to rely upon the identity and authority of such persons until it receives notice from the System or the Investment Manager to the contrary.

2.12 Actions Permitted without Express Authority. The Custodian may, at its discretion, without express authority from the System or the Investment Manager:

- (a) make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this Contract, provided that all such payments shall be accounted for to the System;
- (b) surrender securities in temporary form for securities in definitive form;
- (c) endorse for collection checks, drafts, and other negotiable instruments; and
- (d) in general attend to all nondiscretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the System.

2.13 Evidence of Authority. The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate, instrument or paper reasonably believed by it to be genuine and to have been properly executed or otherwise given by or on behalf of the System or an Investment Manager. The Custodian may receive and accept a certificate from the System or an Investment Manager as conclusive evidence (i) of the authority of any person to act in accordance with such certificate or (ii) of any determination or of any action by the System or the Investment Manager as described in such certificate, and such certificate may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary.

3. REPORTING. The Custodian shall render to the System a monthly report of all monies received or paid on behalf of the System and an itemized statement of the securities

for which it is accountable under this Contract as of the end of each month, as well as a list of all securities transactions that remain unsettled at that time. Custodian has no duty to verify reports it incorporates regarding securities or cash held outside its custody submitted by third parties, including but not limited to brokers, other banks or trust companies.

4. COMPENSATION OF CUSTODIAN. The Custodian shall be entitled to compensation for its services and expenses as Custodian set forth in a written Fee Schedule between the parties. Any amendments to the Fee Schedule must be approved and executed in writing by both parties to the Contract in order to be effective.

5. RESPONSIBILITY OF CUSTODIAN. The Custodian shall not be responsible for the title, validity or genuineness, including good deliverable form, of any property or evidence of title thereto received by it or delivered by it pursuant to this Contract and shall be held harmless in acting upon any notice, request, consent, certificate or instrument reasonably believed by it to be genuine and to be signed or otherwise given by the proper party or parties. The Custodian shall be held to standard of reasonable care in carrying out the provisions of this Contract. The System shall indemnify Custodian for any action taken or omitted by it when acting in accordance with the terms of this Contract, using good faith and without negligence. The Custodian shall be without liability to the System or the Fund for any loss resulting from or caused by: (i) events or circumstances beyond its reasonable control which could not be reasonably avoided, including nationalization, expropriation, currency restrictions, act of war or terrorism, riot, revolution, force majeure events, or other similar events or acts; (ii) errors by the System or any Investment Manager in its instructions to the Custodian on which Custodian reasonably relies or (iii) acts or omissions by a

Securities System. It shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the System) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice.

If the Custodian advances cash or securities on behalf of the System or its agents pursuant to the terms of this Contract, including the purchase or sale of foreign exchange or of contracts for foreign exchange, or in the event that the Custodian shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities including, without limitation, unpaid fees in connection with the performance of this Contract, except such as may arise from its own negligent act or omission, any property at any time held for the account of the System or in the Account shall be security therefor and, should the System fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of the Fund assets to the extent necessary to effect its right of setoff and make itself whole after written notice to the System, if the System failed to promptly remit payment for the charges.

Notwithstanding any express provision to the contrary herein, neither party to this Contract shall be liable for any indirect, consequential, incidental, special or exemplary damages, even if the party has been apprised of the likelihood of such damages occurring. 6.

SECURITY CODES. If the Custodian has issued to the System, or to any Investment Manager, security codes or passwords in order that the Custodian may verify that certain transmissions of information, including Proper Instructions, have been originated by the System or the Investment Manager, as the case may be, the Custodian shall be without liability to the System for any action taken or omitted by it in reliance upon receipt by the

Custodian of transmissions of information with the proper security code or password, including instructions purporting to be Proper Instructions, which the Custodian reasonably believes to be from the System or properly authorized Investment Manager.

7. TAX LAW. The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on the System, the Fund or the Custodian as custodian of the Fund by the tax law of the United States of America or any state or political subdivision thereof. It shall be the responsibility of the System to notify the Custodian of the obligations imposed on the System, the Fund or the Custodian as custodian of the Fund by the tax law of jurisdictions other than those mentioned in the above sentence, including responsibility for withholding and other taxes, assessments or other governmental charges, certifications and governmental reporting. The sole responsibility of the Custodian with regard to such tax law shall be to use reasonable efforts to assist the System with respect to any claim for exemption or refund under the tax law of jurisdictions for which the System has provided such information.

8. INVESTMENT MANAGER.

8.1 Appointment and Termination of Appointment. The System at any time may appoint one or more Investment Managers to manage the investment of all or any portion of the Fund. In such event, the System shall notify the Custodian in writing of the appointment of such Investment Manager, and of the portion of the Fund over which the Investment Manager may exercise its authority. The System similarly shall notify the Custodian of the termination of the appointment of any Investment Manager.

8.2 Authority. The Custodian, in performing its duties under this Contract, shall

be entitled to rely upon Proper Instructions from the Investment Manager, with such limitations as the System and the Custodian by written agreement provide. In the absence of such limitations, the Custodian shall accept Proper Instructions from the Investment Manager to the same extent as the Custodian would be entitled to accept such Proper Instructions from the System if no Investment Manager has been appointed.

9. EFFECTIVE PERIOD, TERMINATION AND AMENDMENT. This Contract shall become effective as of the date hereinafter set forth, shall continue in full force and effect until terminated as hereinafter provided, may be amended at any time by mutual written agreement of the parties hereto and may be terminated by either the System or the Custodian by an instrument in writing delivered or mailed, postage prepaid to the other party, such termination to take effect not sooner than thirty days after the date of such delivery or mailing unless a different period is agreed to in writing by the parties. The provisions of Sections 5, 6 and 7 of this Contract shall survive termination of this Contract for any reason.

Upon termination of the Contract, the System shall pay to the Custodian upon demand such compensation as may be due as of the date of such termination and shall likewise reimburse the Custodian for its costs, expenses and disbursements.

10. ACTION ON TERMINATION. If a successor custodian shall be appointed by the System, the Custodian shall, within a reasonable time after termination, deliver to such successor custodian at the office of the Custodian, its agents or its subcustodians or as otherwise agreed, duly endorsed and in the form for transfer, all securities, funds and other property then held by it hereunder and shall transfer to any account of the successor custodian all of the System's securities held in a Securities System.

If no such successor custodian shall be appointed, the Custodian shall, in like manner, upon receipt of Proper Instructions from the System, deliver at the office of the Custodian, its agents or its subcustodians or as otherwise agreed and transfer such securities, funds and other property in accordance with such Proper Instructions.

In the event that no written order designating a successor custodian and no Proper Instructions as aforesaid shall have been delivered to the Custodian on or before the date when such termination shall become effective, the Custodian shall have the right to deliver to a bank or trust company of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report of not less than \$100,000,000 all securities, funds, and other property held by the Custodian. Thereafter, such bank or trust company shall be the successor of the Custodian under this Contract.

In the event that securities, funds and other property remain in the possession of the Custodian, its agents or its subcustodians after the date of termination hereof owing to failure of the System to appoint a successor custodian or to give the Proper Instructions referred to above, the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such securities, funds and other property and the provisions of this Contract relating to the duties and obligations of the Custodian shall remain in full force and effect.

11. REPRESENTATIONS AND WARRANTIES. The System represents and warrants to the Custodian that:

- (a) The System has the power to enter into and perform its obligations under this Contract, and has duly executed this Contract so as to constitute valid and binding obligations of the System.

(b) The System has the power pursuant to the documents establishing the System and any related plans and trusts to enter into this Contract and carry out its obligations hereunder.

(c) In giving any instructions which purport to be "Proper Instructions" under this Contract, the System will act in accordance with the provisions of the documents establishing the System and any related plans and trusts.

(d) The documents establishing the System and any related plans and trusts permit investment in the collective investment funds referred to in Section 2.6(d) of this Contract and incorporate the terms of such collective funds by reference.

12. NOTICES. Notices and other writings shall be delivered or mailed postage prepaid to:

To the System:

Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201-1070
ATTN: G. Wayne Greathouse

To the Custodian:

State Street Bank and Trust Company
Public Funds Division
2 Avenue de Lafayette
Boston, MA 02111
ATTN: Arkansas Teacher Retirement System Fund Manager

or to such other address as the Systems or the Custodian may hereafter specify in writing.

Telephone and facsimile notices shall be sufficient if communicated to the party entitled to receive such notice at the following numbers:

If to System:

Telephone 501 682-2004 Facsimile 501 682-2663

If to Custodian:

Telephone 617 664-9430 Facsimile 617 (617) 769-6874

or to such other numbers as either party may furnish the other party by written notice under this Section.

13. ARKANSAS LAW TO APPLY. This Contract shall be construed and the provisions thereof interpreted under and in accordance with laws of the State of Arkansas to the extent not pre-empted by federal law. The Custodian and System hereby submit to the jurisdiction of the State and Federal courts located in the State of Arkansas including any appellate courts thereof.

14. PRIOR CONTRACT. This Contract supersedes and terminates, as of the date hereof, all prior contracts between the System and the Custodian relating to the custody of the System's assets.

IN WITNESS WHEREOF, each of the parties has caused this instrument to be executed in its name and behalf by its duly authorized representative as of the 30th day of June, 2009.

ATTEST:

Gail Belden

ARKANSAS TEACHER RETIREMENT SYSTEM

BY: Ige Hoff 6/29/09

TITLE: Executive Director

DATE: June 25, 2009

ATTEST:

Gail M. Dehn

STATE STREET BANK AND TRUST COMPANY

BY: Lisa H. Tymen

TITLE: Vice President

DATE: June 30, 2009